

Message Text

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ACTION ARA-14

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FM AMEMBASSY QUITO

TO AMEMBASSY SANTIAGO IMMEDIATE

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SUBJECT: GUIDANCE FOR AMBASSADOR RICHARDSON RE ECUAME
PRESENTATION

1. BACKGROUND ON THE ECUADORAIN-AMERICAN CHAMBER OF
COMMERCE (ECUAME): ECUAME WAS FOUNDED IN 1974 BY RESIDENT
U.S. BUSINESSMEN AND ECUADOREANS ENGAGED IN TRADE WITH THE
UNITED STATES. THE U.S. EMBASSY PLAYED AN INSTRUMENTAL ROLE
IN SETTING UP THE ORGANIZATION, WHICH IS A MEMBER OF THE
ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA.
THE EMBASSY'S COMMERCIAL ATTACHE IS AN EX-OFICIO NON-VOTING
MEMBER OF ECUAME'S BOARD OF DIRECTORS; HOWEVER, ECUAME
FUNCTIONS ENTIRELY AUTONOMOUSLY, WITH NO FINANCIAL ASSISTANCE
FROM THE EMBASSY OR FROM OTHER USG SOURCES. ECUAME CURRENTLY
HAS SOME 300 MEMBERS, ABOUT 20 PERCENT OF WHOM ARE AMERICAN
CITIZENS. THE TEN-MAN BOARD OF DIRECTORS INCLUDES THREE
AMERICAN CITIZENS. THE PRESIDENT OF ECUAME FROM ITS START,
REELECTED ANNUALLY DURING THESE INITIAL FOUR YEARS, HAS
BEEN ANTONIO GRANDA CENTENO, A PROMINENT BUSINESSMAN
WHOSE HOLDINGS INCLUDE A LEADING TV CHANNEL AND ONE OF
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QUITO'S MORE PRESTIGIOUS DAILY NEWSPAPERS. THE FULL-TIME
EXECUTIVE DIRECTOR IS KARL NEWLANDS, AND AMERICAN
CITIZEN, RESPONSIBLE FOR VIRTUALLY ALL ROUTING AND AD
HOC ACTIVITIES OF ECUAME. THE MAIN ROUTINE ACTIVITY IS
A MONTHLY LUNCHEON, HELD ALTERNATELY AT THE TWO LEADING
QUITO HOTELS, OPEN TO THE GENERAL PUBLIC. A FEATURED
SPEAKER--USUALLY AN ECUADOREAN GOVERNMENT OFFICIAL OR A

PROMINENT OTHER RESIDENT OR A DISTINGUISHED VISITOR--
HOLDS FORTH FOR SOME 20 TO 40 MINUTES DURING LUNCH ON A
TOPIC OF INTEREST (THEORETICALLY, AT LEAST) TO THE
MEMBERSHIP.

THERE HAS BEEN CONSIDERABLE DISSATISFACTION AMONG THE
MEMBERS OF ECAUME REGARDING THE CALIBER OF THE MONTHLY
SPEAKERS AND THE INTEREST-LEVEL OF THEIR PRESENTATIONS.
THE VERY RIGID SCHEDULING OF THE LUNCHEON MEETINGS--
THIRD WEDNESDAY OF EACH MONTH--HAS FORFEITED OPPORTNI-
TIES TO HEAR DISTINGUISHED VISITORS TO QUITO WHO WERE
WILLING TO SPEAK BEFORE ECUAME BUT WERE UNABLE TO BE
PRESENT ON THE REGULARLY SCHEDULED LUNCHEON DATE. YOUR
PRESENTATION WILL BE THE FIRST EVER THAT WAS SCHEDULED
SO AS TO TAKE ADVANTAGE OF THE PRESENCE OF A
DISTINGUISHED VISITOR. IT WILL ALSO BE THE FIRST AT
WHICH THE SPEECH WILL BE DELIVERED IN ENGLISH
(SIMULTANEOUS TRANSLATION SERVICE IS BEING MADE AVAILABLE
FOR THE OCCASION).

2. QUESTIONS AND ANSWERS

A. GSP EXCLUSION

QUESTION: ECUADOR IS EXCLUDED FROM THE U.S.
GENERAL SYSTEM OF PREFERENCES (GSP) BECAUSE OF ITS MEMBER-
SHIP IN OPEC. WE CONSIDER THIS GROSSLY UNFAIR, SINCE WE
DID NOT PARTICIPATE IN THE ARAB COUNTRIES' EMBARGO OF OIL
SHIPMENTS TO THE UNITED STATES IN 1973, AND IN FACT
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ECUADOR STEPPED UP ITS SHIPMENTS TO HELP OUT THE UNITED
STATES AT THAT TIME. IN SIGNING THE GSP INTO LAW,
PRESIDENT FORD DEPLORED THE EXCLUSION OF ECUADOR (AND
VENEZUELA FOR THE SAME REASONS), AND PROMISED TO SEEK
REMOVAL OF THE EXCLUSION. PRESIDENT CARTER ALSO HAS
PUBLICLY STATED HIS OPPOSITION TO THE EXCLUSION. YET
THE EXCLUSION CONTINUES. DO YOU FORESEE ANY PROMPT
ACTION TO RECTIFY THIS INJUSTICE?

ANSWER: AS YOU ARE AWARE, REMOVAL OF THE EX-
CLUSION WOULD REQUIRE THE PASSAGE OF LEGISLATION IN THE
CONGRESS. A GOOD MANY MEMBERS OF CONGRESS, BOTH IN
THE HOUSE OF REPRESENTATIVES AND IN THE SENATE, NOW
SEEM TO BE FAVORABLY DISPOSED TOWARD REMOVING THE EX-
CLUSION OF ECUADOR AND VENEZUELA. I UNDERSTAND THAT
SOME 16 MEMBERS OF CONGRESS EXPRESSED OPPOSITION TO THE
EXCLUSION OF ECUADOR DURING THE VISIT TO THEM LAST MAY
BY YOUR MINISTER OF INDUSTRIES, COMMERCE AND INTEGRATION
ON THE OCCASION OF A TOUR THROUGH THE UNITED STATES AS
THE HEAD OF AN ECUADOREAN INVESTMENT MISSION. HOWEVER,
THERE ARE A TOTAL OF 695 MEMBERS OF CONGRESS, AND IT IS
THE JUDGEMENT OF PRESIDENT CARTER AND HIS ADVISORS IN THE
EXECUTIVE BRANCH THAT THE PREPONDERANT SENTIMENT AMONG

THEM AT THIS TIME REMAINS UNFAVORABLE FOR REVISING THE CRITERIA FOR ELIGIBILITY FOR GSP. THIS IS BY NO MEANS A MATTER OF ANTI-ECUADOREAN OR ANTI-VENEZUELAN FEELING ON THE PART OF THE CONGRESS. RATHER, IT STEMS FROM MUCH BROADER CONSIDERATIONS. AFTER ALL, IF SPECIAL CONSIDERATION IS GIVEN TO THE LATIN AMERICAN MEMBERS OF OPEC, THE OTHER MEMBERS WILL NATURALLY BE RESENTFUL, ESPECIALLY THOSE AMONG THEM WHO ALSO DID NOT PARTICIPATE IN THE 1973 OIL EMBARGO. NONETHELESS, WE BELIEVE IT WILL YET PROVE POSSIBLE TO REQUEST AND RECEIVE FAVORABLE ACTION FROM THE CONGRESS FOR REMOVAL OF THE EXCLUSION OF ECUADOR AND VENEZUELA FROM THE GSP. AS IN ALL POLITICAL MATTERS, SUCCESS WILL DEPEND LARGELY ON THE TIMING OF SUCH ACTION. AS SOON AS THE ADMINISTRATION JUDGES THE LIMITED OFFICIAL USE

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TIME TO BE PROPITIOUS, THE NECESSARY STEPS WILL BE TAKEN.

B. THE ANDEAN PACT

QUESTION: WHAT IS THE ATTITUDE OF THE UNITED STATES GOVERNMENT TOWARD THE ANDEAN PACT?

ANSWER: AS A GENERAL PRINCIPLE, THE USG FAVORS ECONOMIC INTEGRATION MOVEMENTS SO LONG AS THEY DO NOT IMPOSE UNDULY HIGH BARRIERS AGAINST TRADE WITH COUNTRIES OUTSIDE THE INTEGRATION AREA. WE BELIEVE THE ANDEAN PACT OFFERS CONSIDERABLE POTENTIAL BENEFITS FOR ITS MEMBERS, BOTH FOR THEIR INDUSTRIAL DEVELOPMENT AND FOR THEIR TRADE WITH EACH OTHER AND WITH THE REST OF THE WORLD; AND AS FAR AS I AM AWARE THE EXTERNAL TARIFF LEVELS TO BE ESTABLISHED UNDER THE ANDEAN PACT ARE INTENDED TO DO NO MORE THAN PROVIDE REASONABLE PROTECTION FOR "INFANT INDUSTRIES" IN THE MEMBER COUNTRIES, ONLY UNTIL SUCH TIME AS THOSE INDUSTRIES ARE WELL ESTABLISHED AND READY TO COMPETE IN WORLD MARKETS. WE THEREFORE WELCOME THE PROGRESS ATTAINED SO FAR UNDER THE PACT, AND WISH ECUADOR AND THE OTHER MEMBERS ALL SUCCESS IN ACHIEVING THE PACT'S GOALS.

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C. ECUADOREAN ELECTION PROCESS

QUESTION: WHAT IS THE ATTITUDE OF THE USG
TOWARD THE NATIONAL ELECTIONS HELD IN ECUADOR ON JULY 16,
WHICH ARE TO BE FOLLOWED BY A RUN-OFF, PROBABLY IN
OCTOBER?

ANSWER: THE USG IS PLEASED INDEED THAT THE
ELECTION PROCESS IN ECUADOR HAS EVIDENTLY BEEN
THOROUGHLY FAIR AND EFFECTIVE IN MOVING THE COUNTRY
TOWARDS A COMPLETE RESTORATION OF CONSTITUTIONAL GOVERN-
MENT. FROM THE START OF THE ELECTION PROCESS WE HAVE
SOUGHT TO MAKE PLAIN THAT THE USG DOES NOT FAVOR ANY
PARTICULAR CANDIDATE FOR THE PRESIDENTIAL OFFICE. IT IS
NOT AT ALL FOR MY COUNTRY, BUT RATHER FOR YOURS AND YOURS
ALONE, TO DETERMINE WHO THE POLITICAL LEADERS OF ECUADOR
SHOULD BE. I CONGRATULATE THE GOVERNMENT AND THE PEOPLE
OF ECUADOR FOR THE EXEMPLARY MANNER IN WHICH THEY HAVE BEEN
MOVING TOWARD THAT DETERMINATION.

D. IMPACT OF ECUADOREAN ELECTIONS ON BILATERAL
RELATIONS

QUESTION: THE RESULTS OF THE JULY 16 ELECTION
HAVE LEFT DR. JAIME ROLDOS AND HIS CONCENTRATION OF
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POPULAR FORCES (CFP--CONCENTRACION DE FUERZAS POPULARES)
PARTY THE FRONT FUNNERS IN THE CAMPAIGN FOR THE RUN-OFF
ELECTIONS. MR. ROLDOS AND OTHER LEADERS OF HIS PARTY
CHARACTERIZE THEMSELVES AND THEIR GOALS AS "POPULIST".
SOME CRITICS, ON THE OTHER HAND, VIEW THEM AS LEFTISTS
WHO MIGHT UNDERTAKE SOME RATHER RADICAL REFORMS OF THE
FREE-ENTERPRISE SYSTEM THAT HAS LONG PREVAILED IN
ECUADOR. DOES THE USG SHARE THOSE CONCERNS? DO YOU
THINK AMERICAN INVESTORS WOULD BE FRIGHTENED AWAY
FROM ECUADOR IF THE CFP WINS THE COMING ELECTIONS AND
UNDERTAKES RADICAL ECONOMIC REFORMS?

ANSWER: I STRESS AGAIN THE FUNDAMENTAL BELIEF
OF THE USG THAT EVERY COUNTRY HAS A RIGHT TO DECIDE

FOR ITSELF THE POLITICAL AND ECONOMIC COURSES IT WILL FOLLOW. SO LONG AS A GOVERNMENT FULLY RESPECTS THE HUMAN RIGHTS OF ITS CITIZENS AND OTHERS, AND RESPECTS ALL ITS OBLIGATIONS UNDER INTERNATIONAL LAWS AND ACCORDS, IT WILL FIND IN THE U.S. A VERY FAVORABLE ATTITUDE TOWARDS ENDEAVORS TO IMPROVE ITS STANDARDS OF LIVING.

3. OF COURSE I CANNOT PREDICT HOW U.S. INVESTORS IN GENERAL OR IN PARTICULAR WOULD REACT TO NEW ECONOMIC INITIATIVES ON THE PART OF THE NEW ECUADOREAN GOVERNMENT. BUT I WOULD COMMENT THAT AMERICAN BUSINESSMEN HAVE LONG SINCE LEARNED TO ADAPT TO A VARIETY OF TYPES OF ECONOMIC SYSTEMS OUTSIDE THE U.S. ECONOMIC REFORMS IN DEVELOPING COUNTRIES DO NOT AUTOMATICALLY FRIGHTEN U.S. OR OTHER FOREIGN INVESTORS; INDEED, AS A GENERAL RULE, U.S. INVESTORS SEEM TO HAVE FOUND THAT REFORMS THAT CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF A COUNTRY, AND TO THE GREATER WELL-BEING OF ITS PEOPLE, ARE GOOD FOR INTERNATIONAL TRADE AND INVESTMENT AS WELL. WHAT SEEMS TO BE MOST IMPORTANT FROM THE PRIVATE INVESTORS' POINT OF LIMITED OFFICIAL USE

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VIEW IS NOT SO MUCH THE FORM OR SUBSTANCE OF A COUNTRY'S ECONOMIC SYSTEM, BUT RATHER THE DEGREE TO WHICH THE RULE OF LAW IS RESPECTED IN THE COUNTRY. ALMOST ALL OF THE MAJOR INVESTMENT DISPUTES IN WHICH U.S. INVESTORS ABROAD HAVE BEEN INVOLVED IN RECENT YEARS HAVE ARISEN PRIMARILY EITHER BECAUSE THE HOST GOVERNMENT ABRUPTLY CHANGED THE LAWS UNDER WHICH THE INVESTORS HAD ORIGINALLY BEEN INVITED IN, OR BECAUSE THE RELEVANT LAWS WERE NOT IMPLEMENTED ACCORDING TO THE LETTER OF THE LAW.

4. INCIDENTALLY, I BELIEVE THAT IN THIS RESPECT THE USG'S OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) CAN PLAY AN EXTREMELY USEFUL ROLE IN ECUADOR AND THE OTHER ANDEAN COUNTRIES. AS YOU KNOW, OPIC OFFIERS BOTH DIRECT FINANCIAL ASSISTANCE FOR U.S. INVESTMENT PROJECTS ABROAD, AND INSURANCE AGAINST CERTAIN KINDS OF POLITICAL RISKS AND AGAINST THE RISKS OF WAR OR OF INCONVERTIBILITY OF CURRENCY. WHERE OPIC PROGRAMS ARE ACTIVE, U.S. INVESTORS' HESITANCIES TEND TO BE APPRECIABLY DIMINISHED. I UNDERSTAND THAT OPIC IS CURRENTLY NEGOTIATING WITH THE COMMISSION OF THE ANDEAN PACT AND WITH SOME OF THE INDIVIDUAL MEMBER GOVERNMENTS WITH A VIEW TO RESUMING SUCH ACTIVITIES IN THE NEAR FUTURE. I HOPE THESE DISCUSSIONS WILL BE SUCCESSFUL, AND IF THEY ARE, I AM SURE THERE WILL BE A CORRESPONDING INTENSIFICATION OF INTEREST ON THE PART OF U.S. INVESTORS IN UNDERTAKING PROJECTS IN ECUADOR AND ELSEWHERE IN THE ANDEAN

COUNTRIES.

E. U.S. AID PROGRAM

QUESTION: WE HAVE SEEN AND HEARD STORIES TO THE EFFECT THAT THE UNITED STATES GOVERNMENT IS CONSIDERING REVIVING ITS AID PROGRAM IN ECUADOR, WHICH CURRENTLY IS VERY SMALL AND DWINDLING. WHAT ARE THE PROSPECTS?

ANSWER: THE UNITED STATES GOVERNMENT IS IN THE LIMITED OFFICIAL USE

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PROCESS OF CONSIDERING WHAT ITS POLICIES IN THIS RESPECT SHOULD BE FOR COUNTRIES WHICH, LIKE ECUADOR, HAVE MOVED OUT OF THE RANKS OF THE VERY POOREST IN THE WORLD AND INTO THE RANKS THAT CAN BE CHARACTERIZED AS "MIDDLE-INCOME". THREE SEEMS TO BE A BROAD CONSENSUS BOTH IN THE EXECUTIVE BRANCH AND IN THE CONGRESS THAT THE U.S. AND THE OTHER DEVELOPED COUNTRIES OF THE WORLD SHOULD FOCUS THEIR INTERNATIONAL DEVELOPMENTAL ASSISTANCE--MULTILATERAL AS WELL AS BILATERAL--ON PROJECTS DESIGNED TO REACH OUT TO THE POOREST PEOPLES OF THE WORLD, INCLUDING HOSE IN MIDDLE-INCOME COUNTRIES. OUR DECADES OF EXPERIENCE IN PROVIDING DEVELOPMENT ASSISTANCE TO NEEDY PEOPLES AND NEEDY COUNTRIES HAVE TAUGHT US, HOWEVER, THAT GOOD INTENTIONS ON OUR PART ARE NOT ENOUGH--THAT SUCH PROGRAMS MUST BE CAREFULLY THOUGHT OUT AND FINELY ATTUNED TO THE REALITIES OF THE ENVIRONMENT IN WHICH THE PROGRAMS MUST OPERATE. WE THEREFORE ARE PROCEEDING CAREFULLY AS WELL AS DILIGENTLY, AND IN THE PROCESS WE ARE CERTAINLY GIVING ACTIVE CONSIDERATION TO THE POSSIBILITIES FOR STEPPING UP SUCH ACTIVITIES IN ECUADOR. I HOPE THAT SOMETHING MORE CONCRETE CAN BE SAID ALONG THESE LINES WITHIN A SHORT TIME.

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